

The Montana Mineral Exchange

H.R. 2107, Section 503
Department of Interior & Related Agencies
Appropriations Act, 1998

Briefing & Information Packet

January, 1999

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H.R. 2107

Department of the Interior and Related Agencies Appropriations Act, 1998
(Enrolled Bill (Sent to President))

SEC. 503. CONVEYANCE TO STATE OF MONTANA.

(a) CONVEYANCE REQUIREMENT -- Not later than January 1, 2001, but not prior to 180 days after the enactment of this Act, the Secretary of the Interior shall convey to the State of Montana, without consideration, all right, title, and interest of the United States in and to --

(1) \$10,000,000 in Federal mineral rights in the State of Montana agreed to by the Secretary of the Interior and the Governor of Montana through negotiations in accordance with subsection (b);
or

(2) all Federal mineral rights in the tracts in Montana depicted as Otter Creek number 1, 2, and 3 on the map entitled 'Ashland Map'.

(b) NEGOTIATIONS -- The Secretary of the Interior shall promptly enter into negotiations with the Governor of Montana for purposes of subsection (a)(1) to determine and agree to mineral rights owned by the United States having a fair market value of \$10,000,000.

(c) FEDERAL LAW NOT APPLICABLE TO CONVEYANCE -- Any conveyance under subsection (a) shall not be subject to the Mineral Leasing Act (30 U.S.C. 181 et seq.).

(d) AVAILABILITY OF MAP -- The Secretary of the Interior shall keep the map referred to in subsection (a)(2) on file and available for public inspection in appropriate offices of the Department of the Interior located in the District of Columbia and Billings, Montana, until January 1, 2001.

(e) CONVEYANCE DEPENDENT UPON ACQUISITION -- No conveyance pursuant to subsection (a) shall take place unless the acquisition authorized in section 502(a) is executed.

Advantages of Otter Creek Tracts 1, 2, & 3

- **Expedites the exchange and limits future litigation**
 - Selection of Otter Creek Tracts defines the "mineral" as coal
 - Requires no selection process - eliminates the complications of satisfying demands among parties with competing interests
 - Eliminates evaluation issues
 - Otter Creek Tracts have been identified as "suitable for mining" by the Bureau of Land Management ('84 Resource Management Plan)
 - No known surface land holder issues
- **Maximizes value to the State of Montana**
 - Increases the value of State land within the Otter Creek Tracts
 - Increases the potential for mining which will result in greater public revenues and good paying jobs
 - Facilitates assemblage of logical mining units
 - Capitalizes on the known market demand for coal from the Otter Creek area
- **Provides economic opportunity for southeastern Montana communities and the Northern Cheyenne Tribe**
 - Greater tax revenues for counties and school districts
 - New high paying jobs
 - Training and jobs for the Northern Cheyenne people

NEW WORLD - CROWN BUTTE AGREEMENT "MONTANA INITIATIVE" - COAL COMPONENT

The "Montana Initiative" comprised two elements for consideration as part of the resolution of the land exchange requirements of the Crown Butte Agreement - timber and coal. Development of the "Montana Initiative" was undertaken with the understanding that if the Crown Butte Agreement was to be successful it must satisfy the following six objectives:

- It must meet the requirements of Crown Butte - properties would have to be identified in a timely manner and be capable of being monetized quickly;
- a process for concluding the agreement would have to be developed which would expedite the exchange and limit future litigation;
- private property interests would have to be satisfied;
- it would have to achieve bi-partisan political support;
- it would have to satisfy environmental concerns; and,
- it would have to address the economic opportunity lost to Montana.

These six objectives were clearly stated by Governor Marc Racicot in a letter addressed to President Clinton dated February 18, 1997.

The timber component of the Initiative was dropped from further consideration in February, 1997 after considerable criticism from public, agency and interest groups. With respect to the coal component, the Bureau of Land Management identified six tracts of federal coal for consideration in satisfying the coal component of the Crown Butte exchange. These tracts, designated by the BLM in January 1997, were as follows: Cook Mountain; Otter Creek #1; Otter Creek #2; Otter Creek #3; Custer National Forest Tract; and, the Wolf Mountain Tract. The tracts, associated tonnage and acreage are summarized in the attached table.

The six tracts were finally pared to three based on coal quality characteristics, adjacent coal ownership, environmental acceptability criteria, and, surface ownership considerations. The three tracts, which are highlighted on the attached table, are those identified in Section 503(a)(2) of the Interior Appropriation Bill, i.e., **tracts in Montana depicted as Otter Creek number 1, 2 and 3.**

SUMMARY - TONNAGES, TOTAL TRACT ACREAGE & COAL OCCURRENCE ACREAGE

	Tonnage (mmt)	Total Acreage W/ Tract	Coal Occurrence Acres/ % of Total Acreage
Cook Mountain			
Federal	68.0	2,250	766.1 (34%)
GNP	127.5	2,560	1,347.0 (53%)
State	<u>11.5</u>	<u>640</u>	<u>117.8 (18%)</u>
	207.0	5,450	2,230.9 (41%)
Otter Creek #1			
Federal	101.2	1,920	1,055.2 (55%)
GNP	189.5	3,200	1,873.4 (59%)
State	<u>27.6</u>	<u>640</u>	<u>276.9 (43%)</u>
	318.3	5,760	3,205.5 (56%)
Otter Creek #2			
Federal	227.1	3,660	2,066.1 (56%)
GNP	234.1	3,810	2,162.3 (57%)
State	<u>31.0</u>	<u>680</u>	<u>447.9 (66%)</u>
	492.2	8,150	4,676.3 (57%)
Otter Creek #3			
Federal	205.2	2,770	1,908.6 (69%)
GNP	191.8	2,800	1,767.5 (63%)
State	<u>41.6</u>	<u>400</u>	<u>374.7 (94%)</u>
	438.6	5,970	4,050.8 (68%)
Custer Tract			
Federal	<u>133.7</u>	<u>3,840</u>	<u>1,708.0 (44%)</u>
	133.7	3,840	1,708.0 (44%)
Wolf Mtn. Tract			
Federal	<u>165.0</u>	<u>1,100 (approx)</u>	<u>550.0 (50% approx)</u>
	165.0	1,100 (approx)	550.0 (50% approx)
Total All Tracts			
Federal	900.2	15,540	8,054.0 (52%)
GNP	742.9	12,370	7,150.2 (58%)
State	<u>111.7</u>	<u>2,360</u>	<u>1,217.3 (52%)</u>
	1,754.8	30,270	16,421.5 (54%)

Total federal coal within the six tracts is 900.2 million tons, federal ownership is approximately 15,540 acres, and the coal occurrence area represents about 52% of the total acreage or approximately 8,054 acres. Within Big Horn, Rosebud, Treasure, Custer and Powder River counties, the Bureau of Land Management's most recent **Resource Management Plan** states as follows: **"A total of 347,100 acres containing 25.35 billion tons of federal coal have been found acceptable for further lease or exchange consideration (with adequate inventory to fully apply the unsuitability criteria). An additional 522,500 acres containing 29.02 billion tons of federal coal have been found acceptable pending further study."**

Of the 869,600 acres and 54.37 billion tons of federal coal reserves identified by the BLM as coal acceptable for further consideration for leasing or exchange, **822,500 acres and 53.30 billion tons of coal lie within the counties of Big Horn, Rosebud and Powder River.** The six tracts identified by the Montana Initiative contain approximately 900.2 million tons of federal coal and lie within Big Horn, Rosebud and Powder River counties. **The 900.2 million tons represents only about 1.7% of the 53.30 billion tons of coal within these same three counties which were identified as acceptable for further lease or exchange consideration by BLM's planning documentation.**

**U.S. Department of the Interior
Bureau of Land Management
Planning Documents Related to Otter Creek Tracts 1, 2 and 3**

- July 1977 - Management Framework Plan ("MFP") for the Decker- Birney Planning Unit finalized. This was a planning and resource management document that guided the development of the Powder River Resource Area Plan.

Public participation during preparation of the MFP

1972 - about 700 planning brochures mailed, roughly 80 responses

1973 - about 1,200 planning brochures mailed, 15-20 responses

1973 - four open houses in Sayle, Ashland, Birney and Billings, 41 persons examined BLM's work, 19 persons/groups submitted comments

1974 - 1,500 planning brochures mailed, two public meetings in Ashland and Billings, 339 people attended, 20 written comments submitted.

Coal leasing recommendations - 119,440 acres, 6.6824 billion tons of strippable coal recommended for leasing; 173,841 acres, 8.4667 billion tons of strippable coal not recommended for leased due to resource conflicts.

- July, 1979 Powder River Resource Area Update
May, 1982 Powder River Resource Area Amendment
Both amendments to the Powder River Resource Area Plan resulted from activity in federal coal leasing; dealt with leasing federal coal in Big Horn, Rosebud, Powder River and Treasure Counties; and refined the original Management Framework Plan decisions.

Public participation

- Scoping brochure mailing, with 30-day comment period, 5% response on mail back cards and 8 written responses

- Public scoping meeting in Miles City and Ashland, Ashland meeting was culmination of 18 coal planning meetings held within Powder River Resource Area in a year and a half period

- 90-day public comment period on draft amendments, public meetings to present the amendments, and a 30-day protest period following completion of the final amendments.

- 1984 Powder River Resource Area, Resource Management Plan ("RMP") Miles City District finalized (replaces prior MFP planning documents.) The final Environmental Impact Statement provides a framework for managing and allocating public land and resources in the resource area during the subsequent ten to fifteen years. **This is the current resource plan.**

Coal leasing recommendations Federal coal found within Otter Creek Tracts 1, 2 and 3 were designated as acceptable for further lease consideration. The preferred Alternative identified 37,800 acres and 3.25 billion tons of coal acceptable for further lease consideration in Powder River county alone.

Public participation process:

- Public scoping meetings in Miles City, Hysham, Birney, Sheridan, Wyoming, Broadus and Ekalaka.
- Interagency coordination meeting in Miles City.
- Coordination and consultation meetings with Northern Cheyenne and Crow Indian Tribes
- Three informational and input gathering brochures mailed during RMP development.
- Letter consultation with all of the approximately 450 surface owners over areas of federal coal with development potential
- Public participation included requests for public input in formulation of issues, criteria, initial alternatives and adoption of preferred alternatives. Mailings to over 4,000 parties.
- RMP Draft EIS mailed to about 980 addressees known to have expressed an interest.
- Five formal public hearings to present testimony on the draft plan and EIS held in Ekalaka, Broadus, Miles City, Colstrip and Sheridan, Wyoming.

Additional Federal Coal Lease Procedures and Documents

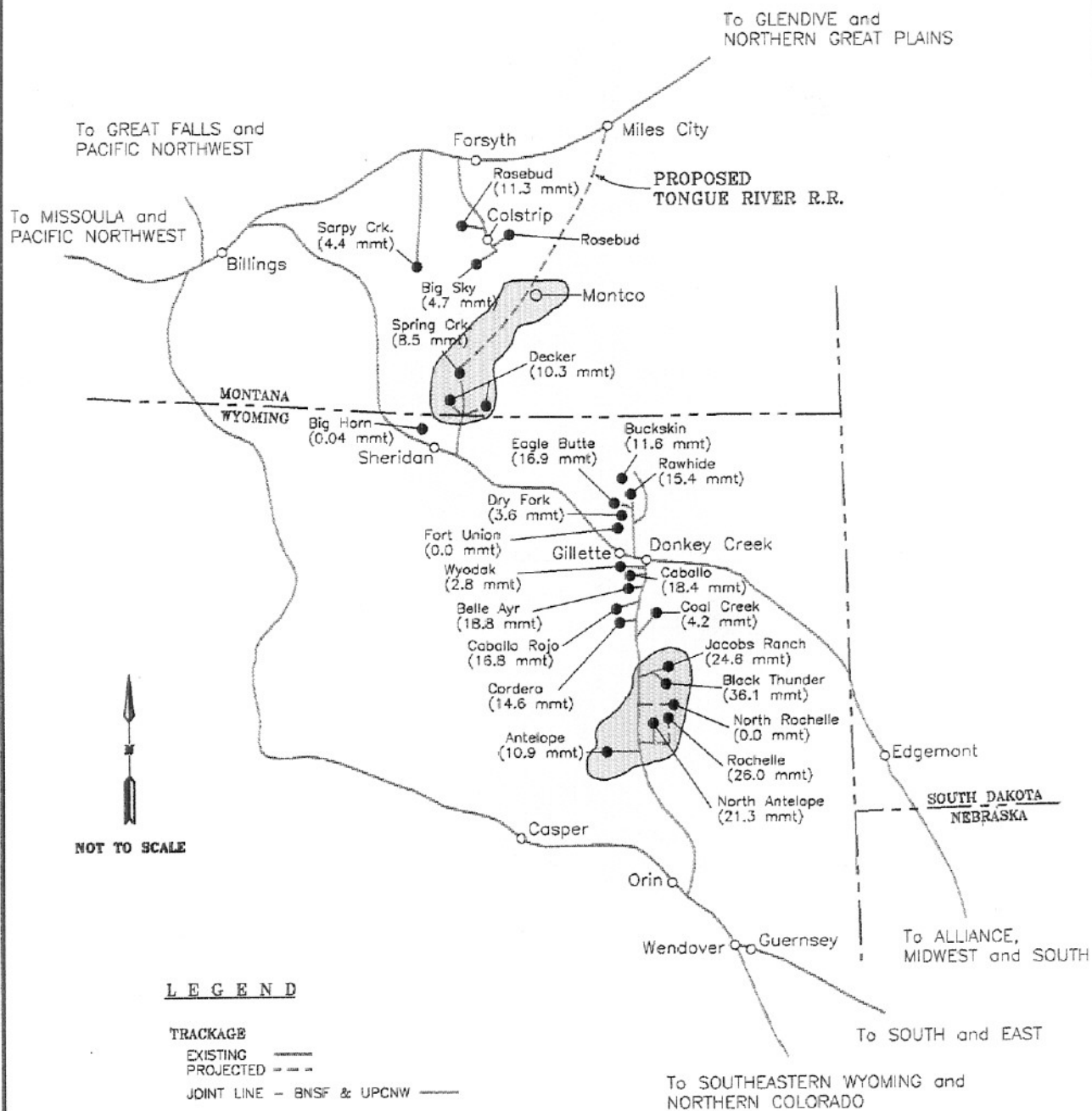
- 1979 Final Environmental Statement: Federal Coal Management Program - addressed the need for additional federal coal leasing.
- 1983 Federal Coal Tract Profile Reports (Ashland (Decker-Birney) (Otter Creek Tract #1), Northwest Otter Creek (Otter Creek Tract #3), Southwest Otter Creek (Otter Creek Tract #3). Based on RMP coal acceptability designations, these reports evaluated coal, environmental and socioeconomic data.
- 1980 Final Environmental Statement Regional Analysis, Northern Powder River Basin Coal, Montana.
- 1981 Final Powder River Regional Coal Environmental Impact Statement (includes Tract Profile Reports and Decker-Birney (Ashland), Northwest Otter Creek and Southwest Otter Creek tracts).
- 1982 Final Tongue River, Montana Petition Evaluation Document - OSMRE and MDSL jointly denied a petition for unsuitability filed by Northern Plains Resource Council under unsuitability for surface coal mining operation provisions of the Montana Strip and Underground Mine Reclamation Act and the Surface Mining Control and Reclamation Act.

- 1984 - Draft Environmental Impact Statement for Round II Coal Lease Sale in the Powder River Region (includes Decker-Birney (Ashland) and Northwest Otter Creek tracts).
- 1990 Final Economic, Social and Cultural Supplement to Powder River I Regional EIS (includes analyses for Decker-Birney (Ashland), Northwest Otter Creek and Southwest Otter Creek tracts).

Federal Document - Public Participation Summary

- Powder River Regional Coal Team meetings - public forums
- EIS public scoping process, including presentations, written comments, public meetings
- Draft EIS - public comment and hearings
- Final EIS - review and protest/appeal

MONTANA-WYOMING POWDER RIVER BASIN

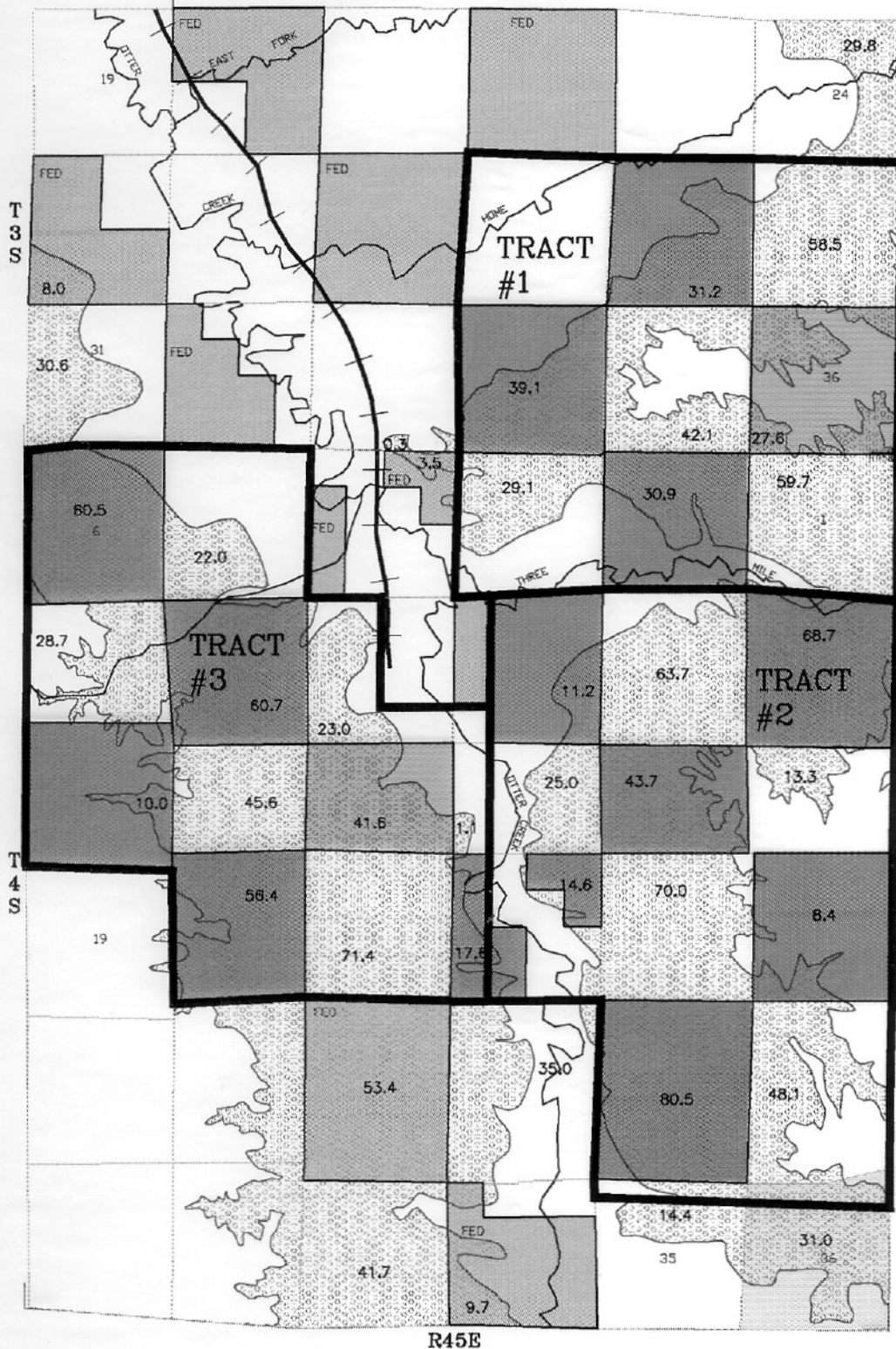


1995 PRODUCTION IN MILLION TONS (mmt)

SUPER COMPLIANCE COAL REGIONS
 $\geq 8,600$ BTU/LB ≤ 1.2 LBS SO_2 /mm BTU
 5 COMPANIES CONTROL 100% OF THE PRODUCTION
 FROM THESE REGIONS.

OTTER CREEK AREA COAL TRACTS

POST TRANSFER STATE LANDS



R45E

SCALE: 1" = 6000'

TOTAL TONS IN
TRACTS 1, 2, & 3



FEDERAL COAL UNLEASED

STATE COAL

533.5

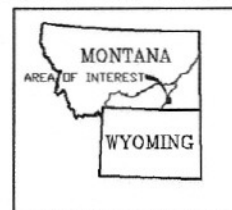
69.2

TOTAL 602.7

KNOBLOCH SUBCROP

MINING LIMIT

INDEX OF MAP LOCATION



FEDERAL COAL LEASE SALES
POWDER RIVER BASIN, MONTANA AND WYOMING (from 1991)

LEASE BY APPLICATION

TRACT	APPLICANT	HIGH BIDDER	BLM SERIAL NO.	SALE DATE	TONS RECOV. (MMT)	BONUS (\$/TON)
Thundercloud	Kerr-McGee	Ark Land Co.	WYW136458	10/01/98	412.000	\$0.3835
Powder River	Peabody	Peabody	WYW136142	06/30/98	532.024	\$0.2060
N. Rochelle	Bluegrass Coal	Bluegrass Coal	WYW127221	09/25/97	157.610	\$0.1940
Antelope	Kennecott	Kennecott	WYW128322	12/10/96	58.130	\$0.1558
Eagle Butte	Cyprus-Amax	Cyprus-Amax	WYW124783	04/05/95	163.300	\$0.1131
N. Antelope	Peabody	Peabody	WYW119554	09/28/93	393.500	\$0.2211
West Rocky Butte	Peabody	Peabody	WYW122586	01/01/93	57.000	\$0.2895
W. Black Thunder	Thunder Basin	Thunder Basin	WYW118907	08/12/92	417.800	\$0.1721
Jacobs Ranch	Kerr-McGee	Kerr-McGee	WYW117924	09/26/91	132.700	\$0.1516

Average	\$0.2096
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BYPASS LEASES & LEASE MODIFICATIONS ONLY

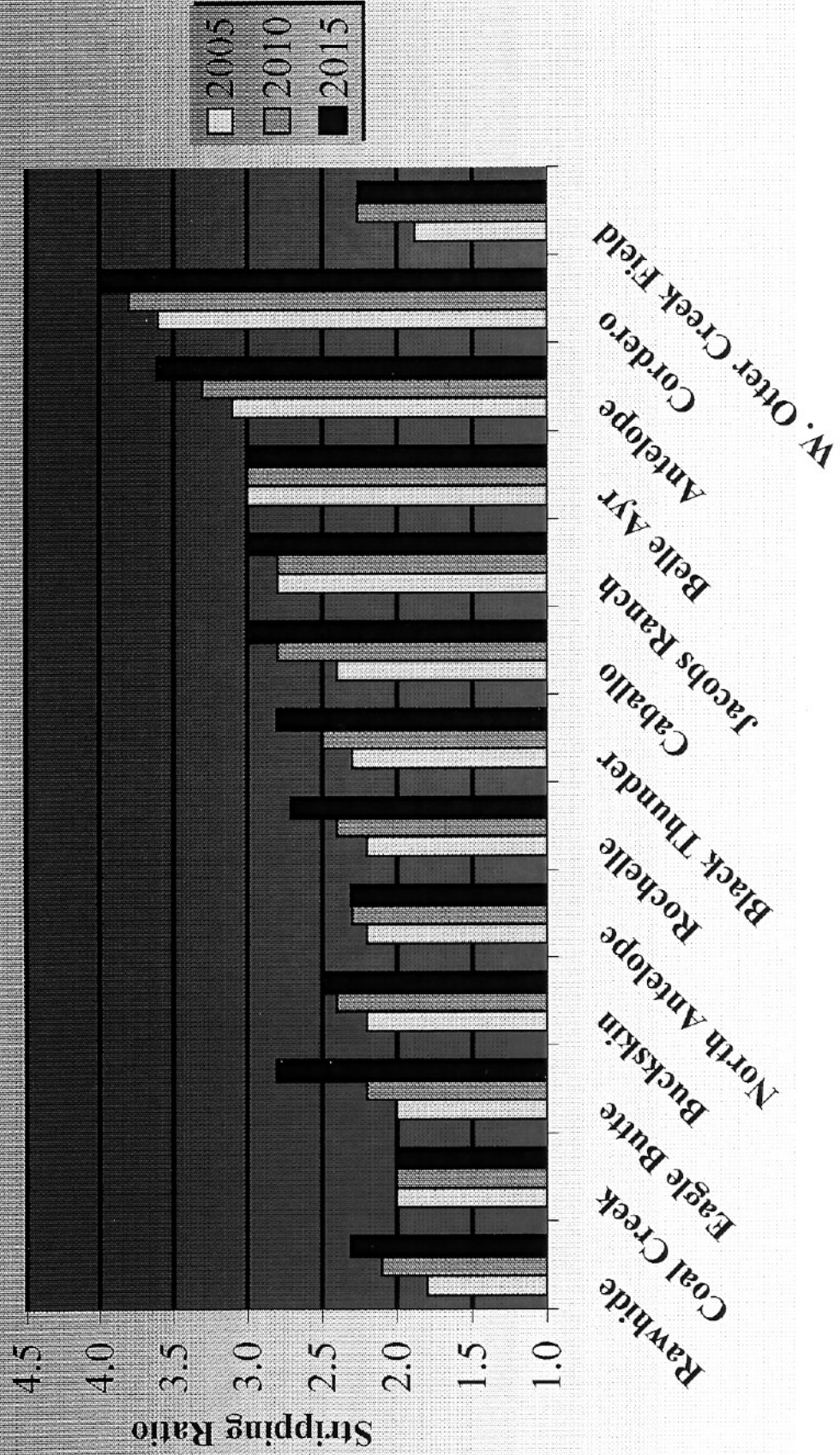
TRACT	APPLICANT	HIGH BIDDER	BLM SERIAL NO.	SALE DATE	TONS RECOV. (MMT)	BONUS (\$/TON)
Decker	Kennecott	Kennecott	MTM057934-A/	06/10/98	7.360	\$0.0650
Spring Creek	Kennecott	Kennecott	MTM69872	04/10/98	3.368	\$0.0485
Spring Creek	Kennecott	Kennecott	MTM69872	08/16/95	4.380	\$0.0379
Spring Creek	Kennecott	Kennecott	MTM69872	11/23/94	0.465	\$0.0420
Caballo	Exxon	Exxon	WYW_____	11/23/94	0.917	\$0.0275
Spring Creek	NERCO	NERCO	MTM69872	09/01/93	0.020	\$0.0500
Scoria Bay	Thunder Basin	Thunder Basin	WYW_____	01/01/93	1.030	\$0.0620
E. Black Thunder	Thunder Basin	Thunder Basin	WYW_____	01/01/91	5.000	\$0.0600
West Decker	Kiewit	Kiewit	MTM_____	01/01/91	7.610	\$0.0650

Average	\$0.0509
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STRIP RATIO & COAL QUALITY COMPARISON

	Projected Strip Ratio*				BTU***	Lbs SO2/ mm BTU***
Southern Powder River Basin	2000	2005	2010	2015		
Eagle Butte	1.0	2.0	2.2	2.8	8360	0.85
Rawhide	1.5	1.8	2.1	2.3	8305	0.70
North Antelope	2.0	2.2	2.3	2.3	8883	0.43
Rochelle	2.0	2.2	2.4	2.7	8769	0.45
Buckskin	2.1	2.2	2.4	2.5	8454	1.11
Coal Creek	2.1	2.0	2.0	2.0	8328	0.81
Caballo	2.2	2.4	2.8	3.0	8482	0.84
Antelope	2.2	3.1	3.3	3.6	8809	0.54
Black Thunder	2.4	2.3	2.5	2.8	8820	0.75
Cordero	2.4	3.6	3.8	4.0	8406	0.85
Jacobs Ranch	2.5	2.8	2.8	3.0	8706	1.04
Belle Ayr	2.9	3.0	3.0	3.0	8545	0.64
Northern Powder River Basin						
Spring Creek	2.0	2.0	2.0	2.0	9384	0.75
Big Sky	3.8	4.8	5.0	5.0	8809	1.67 ****
West Decker	2.8	2.8	2.8	2.8	9472	0.76
Absaloka	2.3	2.4	2.6	2.9	8715	1.41 ****
Western Energy - Rosebud	3.0	3.0	3.0	3.0	8533	1.81 ****
Otter Creek Tracts 1,2,& 3 **		1.9	2.3	2.3	8750	0.50
* Energy Ventures Analysis, Inc. 1996						
** Assumes Start of Production in 2003						
*** Summarized from FERC Information Jan. thru June, 1998, Weighted Average for Tons Sold						
**** Exceeds "Clean Air Act" Standard of 1.2 lbs. SO2/mm BTU's						

Ratio Comparison



MONTANA STATE PRODUCTION TAXES & ROYALTIES FOR THE OTTER CR

MINE	YEAR	1999	2000	2001	2002	2003	2004
New Mine One (Tract 3)							
Tons shipped (MMT) (1)		0	0	0	0	4,000	7,000
F.O.B. Mine Price (1)		\$0.00	\$0.00	\$0.00	\$0.00	\$6.06	\$6.14
Severance Tax (15.0%)		\$0	\$0	\$0	\$0	\$2,713	\$4,814
Gross Proceeds Tax (5.0%)		\$0	\$0	\$0	\$0	\$904	\$1,605
Resource I. T. Tax (0.40%)		\$0	\$0	\$0	\$0	\$72	\$128
Subtotal Production Taxes (20.4%) (2)		\$0	\$0	\$0	\$0	\$3,689	\$6,547
Montana State Royalties (12.5%)*						\$1,515	\$2,686
Total Montana Taxes (Production + Royalties) x (000 \$)						\$5,204	\$9,233
New Mine Two (Tract 2)							
Tons shipped (MMT) (1)		0	0	0	0	0	0
F.O.B. Mine Price (1)		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Severance Tax		\$0	\$0	\$0	\$0	\$0	\$0
Gross Proceeds Tax		\$0	\$0	\$0	\$0	\$0	\$0
Resource I. T. Tax		\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Production Taxes (20.4%)		\$0	\$0	\$0	\$0	\$0	\$0
Montana State Royalties (12.5%)*						\$0	\$0
Total Montana Tax (Production + Royalties) x (000 \$)						\$0	\$0
Total Montana Tax (Production + Royalties) New Mine One + New Mine Two x (000 \$)						\$5,204	\$9,233

* Assumes 50% of the coal shipped is State coal vs. Private coal.

(1) Assumes market projections and F.O.B. mine prices as reported by R.D.I. June 1998.

Net Present Value of Taxes from Mine1: Total Montana Taxes (Production + Royalties) = **\$120,817** x (000 \$) Assuming 8% discount r

Net Present Value of Taxes from Mine2: Total Montana Taxes (Production + Royalties) = **\$72,396** x (000 \$) Assuming 8% discount r

Net Present Value of Taxes from Mines 1+2: Total Montana Taxes (Production + Royalties) = **\$193,213** x (000 \$) Assuming 8% discount r

(2) State Production Taxes (For Non-Federal Coal) = 20.4% x [(F.O.B. Mine Price) - (Fed. Rec. Fee)-(Fed. Black Lung Tax)-(State Prod. Tax)]

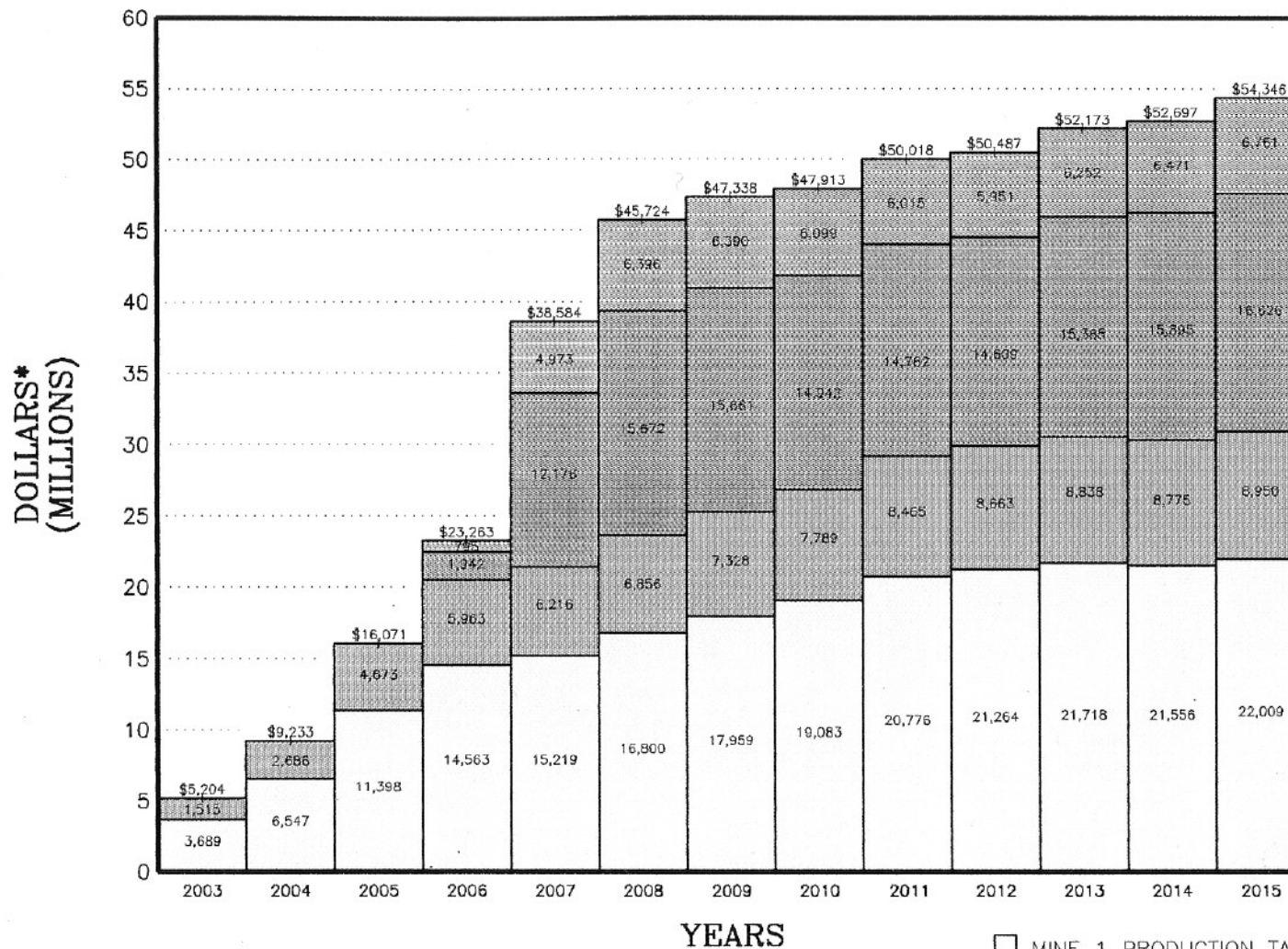
WEEK TRACTS ASSUMING STATE OWNERSHIP OF FEDERAL COAL

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTALS
12,000	15,000	15,000	16,349	17,422	18,600	19,600	20,000	20,000	20,000	20,000	204,971
\$6.23	\$6.36	\$6.63	\$6.71	\$6.73	\$6.70	\$6.91	\$6.93	\$7.07	\$7.02	\$7.16	
\$8,381	\$10,708	\$11,191	\$12,353	\$13,205	\$14,032	\$15,276	\$15,636	\$15,969	\$15,850	\$16,183	\$156,311
\$2,794	\$3,569	\$3,730	\$4,118	\$4,402	\$4,677	\$5,092	\$5,212	\$5,323	\$5,283	\$5,394	\$52,103
\$223	\$286	\$298	\$329	\$352	\$374	\$407	\$417	\$426	\$423	\$432	\$4,167
\$11,398	\$14,563	\$15,219	\$16,800	\$17,959	\$19,083	\$20,776	\$21,264	\$21,718	\$21,556	\$22,009	\$212,581
\$4,673	\$5,963	\$6,216	\$6,856	\$7,328	\$7,789	\$8,465	\$8,663	\$8,838	\$8,775	\$8,950	\$86,717
\$16,071	\$20,526	\$21,435	\$23,656	\$25,287	\$26,872	\$29,241	\$29,927	\$30,556	\$30,331	\$30,959	\$299,298
0	2,000	12,000	15,252	15,192	14,564	13,927	13,740	14,149	14,748	15,108	130,681
\$0.00	\$6.36	\$6.63	\$6.71	\$6.73	\$6.70	\$6.91	\$6.93	\$7.07	\$7.02	\$7.16	
\$0	\$1,428	\$8,953	\$11,524	\$11,515	\$10,987	\$10,855	\$10,742	\$11,298	\$11,688	\$12,225	\$101,215
\$0	\$476	\$2,984	\$3,841	\$3,838	\$3,662	\$3,618	\$3,581	\$3,766	\$3,896	\$4,075	\$33,737
\$0	\$38	\$239	\$307	\$307	\$293	\$289	\$286	\$301	\$312	\$326	\$2,698
\$0	\$1,942	\$12,176	\$15,672	\$15,661	\$14,942	\$14,762	\$14,609	\$15,365	\$15,895	\$16,626	\$137,650
\$0	\$795	\$4,973	\$6,396	\$6,390	\$6,099	\$6,015	\$5,951	\$6,252	\$6,471	\$6,761	\$56,103
\$0	\$2,737	\$17,149	\$22,068	\$22,051	\$21,041	\$20,777	\$20,560	\$21,617	\$22,366	\$23,387	\$193,753
\$16,071	\$23,263	\$38,584	\$45,724	\$47,338	\$47,913	\$50,018	\$50,487	\$52,173	\$52,697	\$54,346	\$493,051

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MONTANA STATE PRODUCTION TAXES & ROYALTIES FOR THE OTTER CREEK TRACTS ASSUMING STATE OWNERSHIP OF FEDERAL COAL



*** EXCLUSIVE OF ANY INITIAL BONUSES
RECEIVED FROM A COMPETITIVE COAL SALE**

MINE SOURCE: SUPER COMPLIANCE (> 8600 BTU, ≤ 1.2 SO₂)

TONNAGE & F.O.B. MINE PRICE DATA OBTAINED FROM
RESOURCE DATA INTERNATIONAL, INC.

- ☐ MINE 1 PRODUCTION TAX⁽¹⁾
- ☐ MINE 1 ROYALTY TAX⁽²⁾
- ☐ MINE 2 PRODUCTION TAX⁽¹⁾
- ☐ MINE 2 ROYALTY TAX⁽²⁾

(1) PRODUCTION TAXES TOTAL 20.4% OF F.O.B. MINE PRICE.
(SEVERANCE TAX OF 15% + GROSS PROCEEDS TAX OF 5% +
RESOURCE INDEMNITY TRUST TAX OF 0.4% = 20.4%)

(2) ROYALTIES TOTAL 12.5% OF F.O.B. MINE PRICE.
(TAXES SHOWN ASSUME 50% OF THE COAL MINED WILL BE
STATE COAL)

West Otter Creek Mining Unit
State and County Taxes Derived from Personal Property and Real Estate
Annual Tax Calculation

		<u>% of Total</u>	<u>Taxable</u>
<u>Calculation of Taxable Value</u>		<u>Investment</u>	<u>Valuation</u>
Capital Investment in New Mine	\$71,000,000		
Personal Property Tax	6.00%	70.0%	\$2,982,000
Real Estate Property Tax	3.86%	30.0%	\$822,180
Total Taxable Value of Mine Operations			\$3,804,180
<u>Real Estate Tax Revenues</u>			
Taxable Value of New Mine	\$3,804,180		
		Percentage of	Revenue
	<u>Mill Levy</u>	<u>Taxable Value</u>	<u>Collections</u>
State of Montana			
University 6 mill levy	6.0	0.60%	\$22,825
School Equalization Account 95 mill levy	95.0	9.50%	\$361,397
Total Receipts			\$384,222
		Percentage of	Revenue
	<u>Mill Levy</u>	<u>Taxable Value</u>	<u>Collections</u>
Powder River County			
Real Estate Property Tax	168.87	16.89%	\$642,412
Elementary School District *	105.0	10.50%	\$399,439
High School District *	60.3	6.03%	\$229,392
Total Receipts			\$1,271,243
(*) Calculation of tax revenue to school districts is estimated for illustration purposes only.			
Actual revenue available to school districts is subject to limitations of the School			
Equalization Program and restrictions on reserve accounts.			

STATE OF MONTANA

Summary of Economic Impacts and Tax Benefits

	NEW MINE 1	NEW MINE 2		
	<u>Tract 3</u>	<u>Tract 2</u>	<u>Tract 1</u>	<u>Total</u>
Operating Years	2003 - 2015	2006 - 2015		
Coal Tonnage Estimate (in millions)	205.2	227.1	101.2	
Lease Bonus @ \$.20 per ton (1)	\$41,040,000	\$45,420,000	\$20,240,000	\$106,700,000
Production Taxes (2)	\$212,581,000	\$137,650,000		\$350,231,000
Royalties	\$86,717,000	\$56,103,000		\$142,820,000
Property Taxes	\$4,994,886	\$3,842,220		\$8,837,106
Local Taxes				
Counties	\$8,351,356	\$6,424,120		\$14,775,476
School Districts (3)	\$8,174,803	\$6,288,310		\$14,463,113
Total Taxes Derived from New Mine	\$361,859,045	\$255,727,650		\$617,586,695
<u>Railroad</u>				
Property Taxes	\$2,014,142			
Local Taxes				
Counties	\$1,239,946			
School Districts (3)	\$2,526,428			
Total Taxes Derived from Railroad	\$5,780,516	(annually)		
<u>Jobs (4)</u>				
Railroad; 2-3 year construction period	500			
New Mine 1	261			
New Mine 2	225			
<u>Footnotes:</u>				
(1) Lease bonus estimate assumes upfront payment based upon 20 cents per ton				
(2) Taxation estimates of New Mine 1 and 2 are based upon production estimates through Year 2015.				
(3) School district tax estimates are for illustration purposes; the actual tax revenue available to school districts is subject to limitations of the School Equalization Program and restrictions on reserve accounts.				
(4) Job estimates are based upon preliminary mine planning. Compared to industry averages provided by the Montana Coal Council for 1996, the job estimates are conservative.				

Coal Production and Employment Statistics

	<u>1996 Production</u>	<u># of Employees</u>	<u>Production Annual Tons/Employee</u>	<u>Est. Payroll</u>	<u>Annual Salary/Employee</u>
Decker	11.0 mmt	290	37,931 tons	\$12,400,000	\$42,759
Spring Creek	9.0 mmt	129	69,767 tons	\$8,221,000	\$63,729
Big Sky	5.0 mmt	121	41,322 tons	\$6,294,000	\$52,017
Sarpy Creek	4.7 mmt	99	47,474 tons	\$5,500,000	\$55,556
Western Energy	<u>7.8 mmt</u>	<u>262</u>	<u>29,771 tons</u>	<u>\$13,950,000</u>	<u>\$53,244</u>
	37.5 mmt	901	41,620 tons	\$46,365,000	\$51,459
Source: MT Coal Council 1997					